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UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1991

Report by the Director-General

Summary

In accordance with resolution GC.4/Res.3, reports on possible measures and actions to assist developing countries strengthen capabilities for national execution of technical cooperation projects; expands on the report in chapter III of document IDB.8/16 presenting measures to ensure that the quantitative and qualitative relationship between project components is in line with specific needs of countries; and provides a definition of the concept of technical cooperation in terms of UNIDO operational activities. Also provides information on action related to qualitative aspects of technical cooperation as requested in decision GC.4/Dec.11.

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Introduction

1. In accordance with Board decision IDB.7/Dec.11, the Director-General is to present an annual report on the technical cooperation activities of UNIDO. Information on such activities for 1991 is provided in the Annual Report of UNIDO, 1991 (IDB.9/10), in particular chapters I, II.B and V. A list of technical cooperation projects approved and/or operational in 1991 will also be made available to the Board as a conference room paper.

2. The debate on technical cooperation activities of UNIDO at the fourth session of the General Conference focused on numerous relevant aspects. The different perspectives were also reflected in the decision and resolution on the subject adopted by the Conference. Resolution GC.4/Res.3 called for the response of the Director-General on aspects of technical cooperation related to the capabilities of developing countries for national execution, ratio of project component costs and a definition of the concept of technical cooperation in terms of UNIDO operational activities. Decision GC.4/Dec.11 dealt with qualitative aspects of technical cooperation and called for action related to project appraisal.

I. CAPABILITIES FOR NATIONAL EXECUTION OF TECHNICAL COOPERATION PROJECTS

3. The present report looks at the elements necessary for project execution and proposes ways of strengthening those elements in the institutional infrastructure of developing countries. It also views national execution within the context of the new United Nations Development Programme (UNDP) policy. According to that policy, all development programmes or projects are nationally "owned", directed and controlled, and the establishment of priorities, achievement of development objectives and sustainability of results are the responsibility of government. Execution entails the overall management of the programme or project and carries with it responsibility and accountability for the production of outputs, the achievement of

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objectives and the use of UNDP resources. In the new framework, execution is distinct from project implementation. The latter entails the procurement and delivery of programme/project inputs. Implementing agents are accountable to the executing agent for the quality and timeliness of project inputs assigned to them for implementation. Execution and implementation can be assigned to different parties in consultation with the relevant agencies. The choice of execution and implementation modality must be made jointly by government and UNDP. However, the authority for final designation of execution and implementation agents lies with the Administrator.

4. The designation of a national entity as the executing agent should take into account the following criteria:

(a) Availability of managerial and organizational capacity to carry out the functions associated with execution;

(b) Existence of technical capacity to exercise oversight and supervision of project activities;

(c) Willingness and commitment of the national entity being considered to assume the responsibilities and to be accountable to UNDP, that accountability covering both substantive and financial areas.

5. Another significant break with past practice is the fact that if a project is executed nationally, the relevant specialized agency may still be deeply involved both in execution through provision of technical support services and in implementation. In the event that the Government and UNDP are of the opinion that no national organization is available to execute a project, a specialized agency may be designated to execute that project.

6. In the new framework and underpinned by the new support cost arrangement, UNIDO, in common with other agencies, is expected to play various supporting roles to national execution in the following respects:

(a) Supporting a national executing organization in the overall technical oversight over a project;

(b) Implementing a project or parts thereof;

(c) Supporting national implementing agents;

(d) Providing project technical support of the TSS-2 (technical support services at the project level) type, including technical monitoring;

(e) Participating in tripartite project evaluations.

The above roles, as foreseen in the successor arrangements, are directly and fully in support of national execution.

7. Indeed, it is expected that in forthcoming years, many more projects will be executed nationally since the availability of various types of support from the specialized agencies make the national execution modality more viable than hitherto, when no financial provisions for agency support for such a modality were in place.

8. The agencies possess certain advantages which would enable them to provide those support functions:

(a) Profound knowledge of the sector and subsectors or themes in which the project or programme takes place;

(b) Technical or substantive experience and capabilities;

(c) Specialized databases and information;

(d) Objectivity and neutrality of advice;

(e) Efficient and high-quality administrative and technical services.

9. Based on the above advantages, UNIDO can further assist developing countries to strengthen their capabilities for technical cooperation execution by:

(a) Providing sector- and subsector-specific policy analyses and advice that can be used to strengthen national policy-making and improve donor coordination - This function already exists and is financed under the regular budget of UNIDO. It is being strengthened through the new UNDP TSS-1 (technical support services at the programme level) facility, although demand is soon expected to outstrip the resources available.

(b) Strengthening national capabilities for project design, appraisal, management and evaluation - Several activities are taking place:

(i) UNIDO has, to a much greater degree than other agencies, used national project directors in its large-scale projects instead of international project managers or chief technical advisers. This has constituted an important on-the-job training mechanism;

(ii) UNIDO has organized, and continues to organize workshops for project design, appraisal and evaluation. A number of these have been organized in developing countries with a large participation of national staff;

(iii) It has also been UNIDO practice to bring national project directors of large-scale projects to Headquarters for extensive briefings on project management, execution and implementation;

(iv) At present, under the leadership of the Consultative Committee on Substantive Questions (Operational Activities), a study is being carried out to identify the need for, and scope of, expanded training on operational activities, specifically for national staff.

A major constraint has been the lack of systematic funding for such training activities. Most training has had to be financed from project budgets or carried out in conjunction with other missions.

(c) Simplifying execution and implementation procedures - UNIDO has been actively involved in interagency efforts to harmonize and simplify procedures, formats and methods. UNIDO has, for instance, developed and disseminated various

user-friendly guidelines, for instance for project design and evaluation, and harmonized its own formats with those of UNDP. The simplification of procedures depends, however, on the funding organizations that define those procedures, formats and methods.

II. RATIO OF EXPERT COMPONENT COSTS TO OTHER COMPONENT COSTS

10. Much of the project delivery of technical cooperation consists of inputs specified by the mutual agreement of the three parties concerned, but essentially by the recipient Government or organization. The structure of project components is certainly not determined by UNIDO alone. As discussed in chapter IV below, UNIDO traditionally places great emphasis on project design in order to ensure relevance, cost effectiveness and sustainability. Furthermore, technical cooperation projects involve a transfer of knowledge. That is essentially transmitted by experts, with the role of equipment in technical cooperation projects supporting the transfer of knowledge.

11. The composition of project components also varies with the type of project. For example, figure 1 shows how ratios differ significantly between branches of the Department of Industrial Operations, reflecting the difference between technologically-oriented projects, such as those backstopped by the Metallurgical and Engineering Industries Branches, and policy- and institution-oriented projects focusing on the provision of expertise and training, such as those backstopped by the Industrial Planning and Feasibility Studies Branches. The figure shows that the project personnel component represents 72 per cent of delivery in industrial planning projects, but only 24 per cent of metallurgical industries projects. Figure 2 reflects the project component ratio for UNIDO delivery over a six-year period.

12. Furthermore, projects attempt to provide an optimum mix of project components in order to ensure the best response for project objectives within the framework of the country's needs. In general terms, the countries of Asia and the Pacific and Europe tend to select projects with a technology orientation requiring a higher training and equipment component to be provided by UNIDO. This trend is also observed in the Arab countries, although to a lesser degree. There, self-financed trust funds and cost-shared projects dominate and the projects are technology oriented, supported by a high expert component for services and advice. Countries of Latin America and the Caribbean region seem to opt for projects predominantly in the policy, infrastructure, economic and promotional areas, which require a high expert component. The African region requires projects implemented in a variety of fields.

13. Other determinants of project components are the priorities and policies of funding sources. Some of these funding sources place restrictions on the equipment component, while there are basically no limitations on the three "software" components, i.e. project personnel (experts and consultants), subcontracts and training. Industrial Development Fund (IDF) donors usually prefer training, direct support or institution-building assistance which require little or no equipment to support the effort. Similarly, trust fund donors and self-financed projects require a heavy expert orientation. Indicative planning figure (IPF)-financed projects allow for a relatively high share of equipment, and since IPF has been the largest source of funding for UNIDO technical cooperation activities thus far, the composition of project components from that source has influenced the aggregate structure of UNIDO delivery. Finally, projects under the Special Industrial Services programme are geared towards trouble-shooting, high-level advisory services and, to a limited degree, training. Therefore, they are expert-oriented with an explicit limitation on the equipment component. Figure 3 shows project component ratios by source of funds.

14. It can thus be seen that the ratio of project components is determined by a multiplicity of factors including substantive sector, geographical area and source of finance. As illustrated by figure 2, the overall ratio has been relatively constant, however significant variations do occur when affected by those variables. The dynamic nature of that ratio makes it difficult to predict its composition in future years, but the changing needs of developing countries and the impact of those needs in determining the type of assistance requested can be expected to play a major role.

15. Implicit in paragraph 2 of resolution GC.4/Res.3 is a desire for a further increase not only in the number of national experts in projects but also for an increase in the number of international experts from developing countries. In recent years the proportion of national experts appointed by UNIDO working in their own countries has fluctuated between 13.3 and 16.7 per cent of total project personnel appointments. Many factors can influence this proportion, including substantive area, availability of local expertise and local infrastructure. Furthermore, some Governments do not wish to use multilateral technical cooperation financing to employ local expertise. Instead, they hire such expertise directly as a counterpart contribution or outside the framework of the technical cooperation project. That notwithstanding, it can be expected that the changes made by UNDP with regard to national execution should enhance the involvement of national staff in various roles.

16. Nationals of developing countries constitute 34 per cent of experts on the UNIDO roster. In 1991, developing country nationals accounted for 18 per cent of international experts appointed by UNIDO. Here too it should be borne in mind that experts are selected by the recipient countries from among a number of candidates submitted; the final choice is not exercised by UNIDO. Proposals to increase the participation of developing country nationals in technical cooperation projects could include the following:

(a) Increase the number of experts from developing countries on the UNIDO roster, through recruitment missions and other methods;

(b) Place more emphasis on monitoring and evaluating the performance of national experts with a view to including on the UNIDO international roster those considered suitable;

(c) Within the context of economic cooperation among developing countries and other projects, ensure that nationals of developing countries are given an opportunity to develop their skills as consultants and experts;

Figure 1

Share of project components in delivery by branches of DIO, 1986-1991

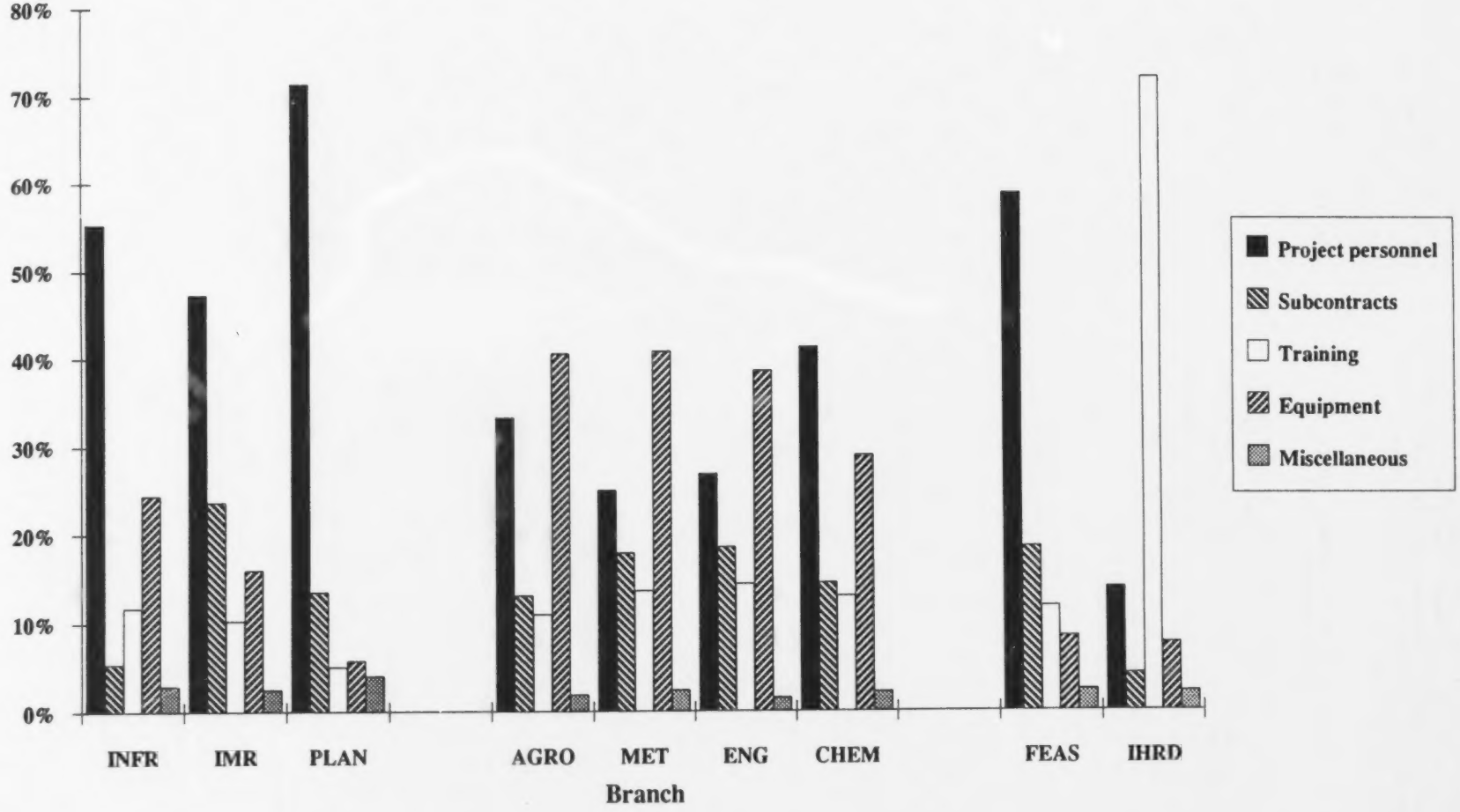


Figure 2

UNIDO delivery by project component

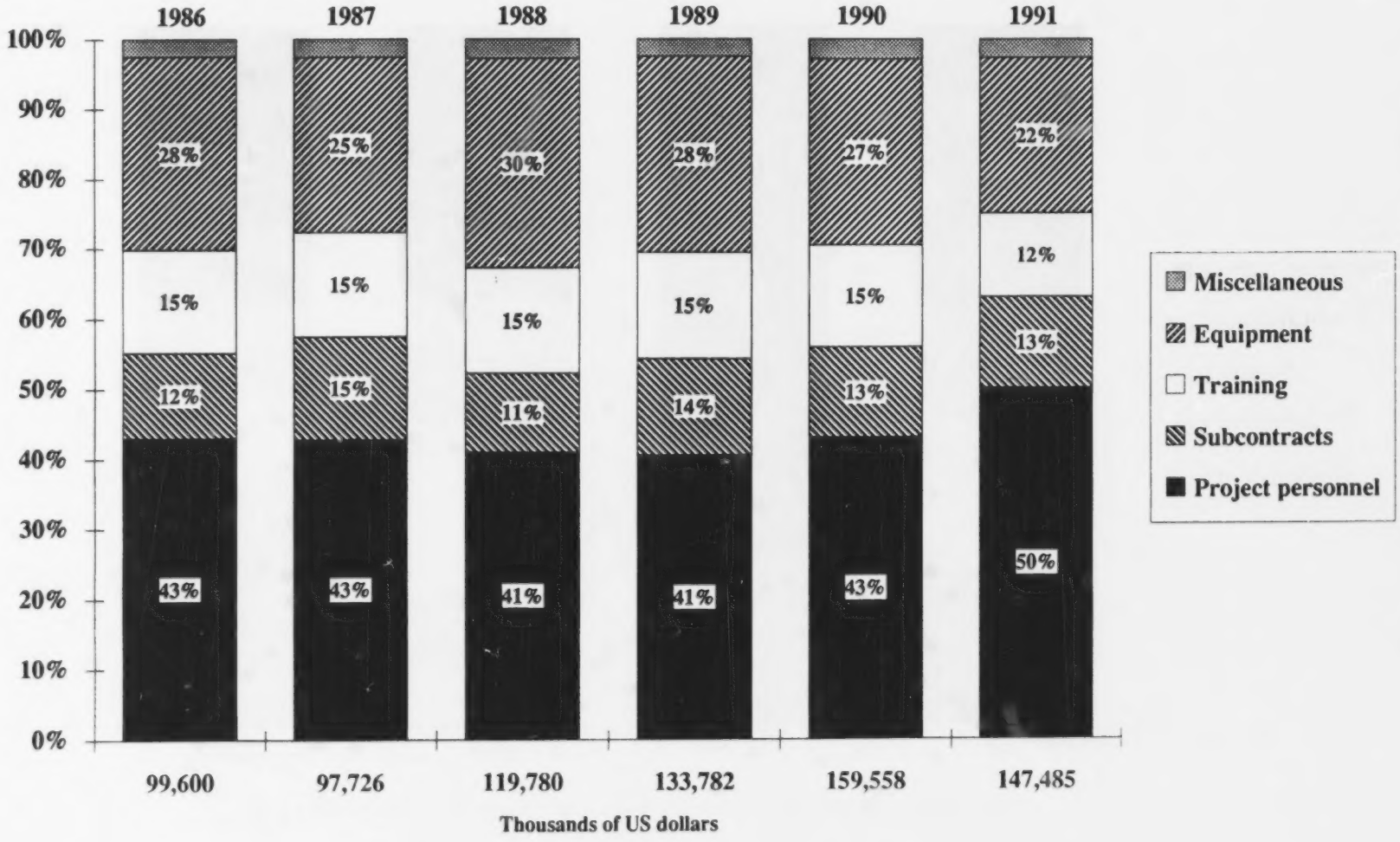
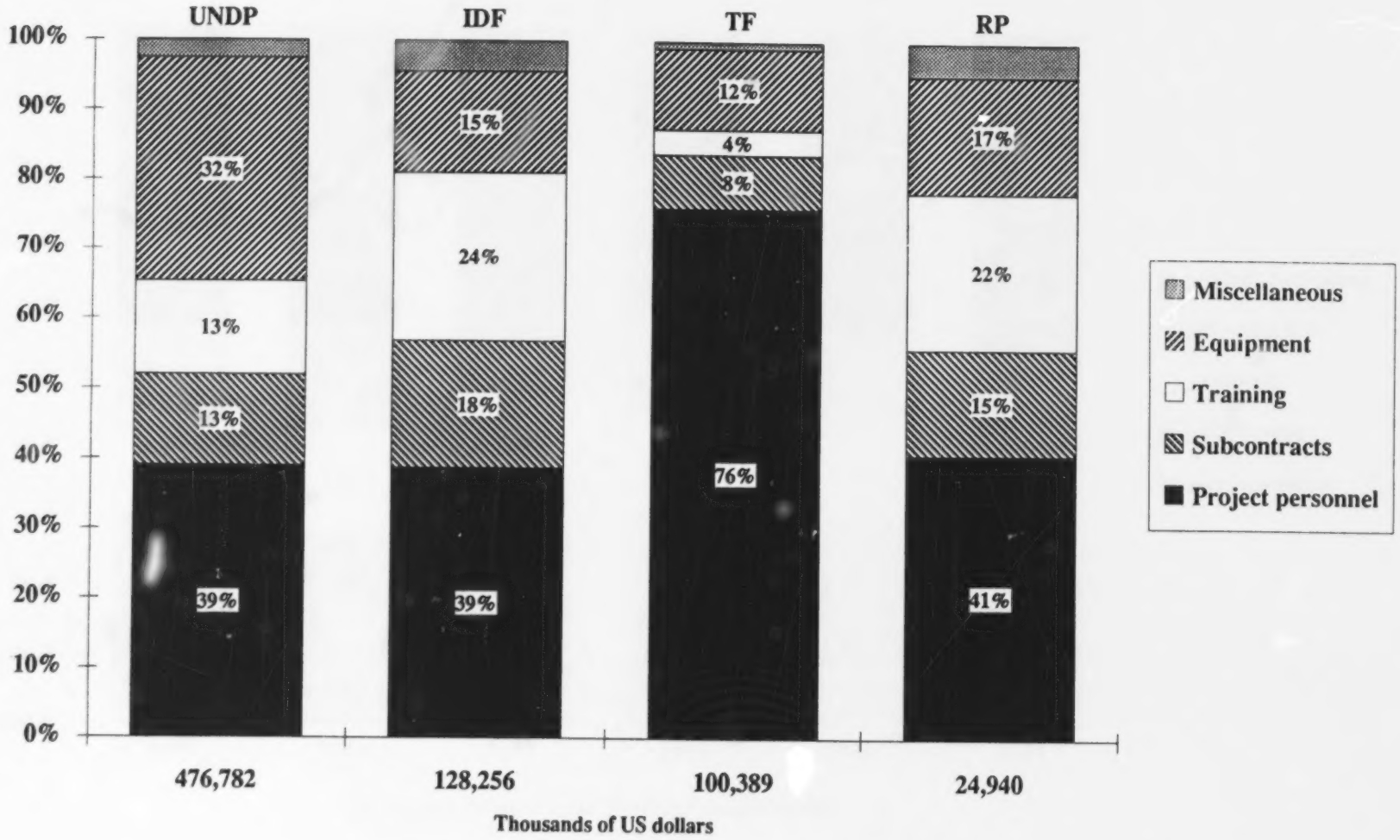


Figure 3

UNIDO project component delivery by source of funds, 1986-1991



(d) Assist developing countries in setting up national recruitment services or similar institutions able to identify and support national experts. In this respect UNIDO is already actively involved in United Nations workshops for national recruitment services of developing countries; and

(e) In cooperation with UNDP offices, a special section of the UNIDO roster could be established for national project personnel which would also interact with the international roster.

III. CONCEPT OF TECHNICAL COOPERATION

17. A definition of the concept of technical cooperation in terms of UNIDO operational activities must of necessity take into account the Constitution of UNIDO, from which it emanates. In the medium-term plan, 1992-1997 (PBC.7/17, para. 136), reference is made to the scope of technical cooperation as defined in specific terms in several paragraphs of Article 2 of the Constitution. In particular, paragraphs (d), (e), (g), (k), (m), (n), (o) and (q) of Article 2 were specified in the medium-term plan. It is in that context that the Secretariat defines the concept of technical cooperation as a major programme instrument of UNIDO.

18. The medium-term plan also recognizes that the major programme instrument, technical cooperation, covers a great deal of activity. Given the many categories of services provided, the technical cooperation activities of UNIDO could be concisely summarized as entailing the provision of advice, expertise, training and related equipment in support of industrial development, utilizing the various sources of financing available to the Organization.

IV. APPRAISAL AND PROJECT DEVELOPMENT

19. The UNIDO project development process comprises the identification, formulation, appraisal and approval stages described in Director-General's Bulletin UNIDO/DG/B.40. General Conference decision GC.4/Dec.11 concerning objectives-oriented project planning bears implications for the appraisal stage and the identification and formulation stages of the project development process. While action at the appraisal stage has been initiated, it is by no means sufficient since overall quality, in terms of relevance, cost effectiveness and sustainability, can only be ensured if projects are designed from the beginning with those quality criteria in mind.

Appraisal stage

20. The conclusions drawn from the Expert Group Meeting on the Theory and Practice of the Appraisal of Technical Cooperation Projects, 1/ the preparation of preliminary guidelines on the application of objectives-oriented project planning and the experience gained from appraisal workshops in China and Nepal to design three large technical cooperation projects 2/ have resulted in the re-organization of the UNIDO appraisal process. It now includes: (a) a review of participation, problem, alternative strategies and critical assumptions analyses as a means of determining whether overall quality criteria are met; and (b) a restructured appraisal memorandum on each project's overall quality, focusing on relevance, cost effectiveness and sustainability, as defined in chapter III of document GC.4/28; (c) where applicable, the appraisal memorandum also refers to specific considerations such as environmental protection, women in industrial development and employment effects.

21. In the case of preparatory assistance for projects over $1 million, appraisal workshops will continue to be organized whenever necessary in the field with the participation of counterparts and target beneficiaries, UNIDO technical officers and an appraisal officer as moderator. The moderator's role is to provide methodological support to the process of project design in order to ensure that the appraisal workshops attain the desired results. Through those workshops, appraisal advice is provided at the project formulation stage as requested in decision GC.4/Dec.11, paragraph (e). In general, however, project planners may now seek appraisal advice during the formulation phase of any project. In the case of IDF-financed projects, appraisal advice will focus on project concepts for eventual financing by special-purpose donors.

Identification and formulation stage

22. The implications of decision GC.4/Dec.11 for this stage require more a change in the way in which projects are designed than in existing procedures. Through an offer of Germany, the German Agency for Technical Cooperation (GTZ) briefed UNIDO executive management on objectives-oriented project planning methods as a further development of the logical framework approach used by UNIDO. The basic requirement is to carry out participation, problem and alternative strategies, and critical assumption analyses during project identification and formulation through a participatory approach with the expected counterparts and target beneficiaries.

23. UNIDO is currently examining how these methods can be applied to the design of different types and sizes of its technical cooperation programmes and projects. On this basis a handbook and related training material will be prepared for use by project planners at UNIDO and in developing countries in the identification and formulation stages of the project development process. The required training to upgrade skills in project design is also being planned.

V. ACTION REQUIRED OF THE BOARD

24. The Board may wish to take note of the present report.

Notes

1/ The report of the meeting, which was held from 25 to 27 September 1991 in Vienna, Austria, was issued under the symbol ID/WG.517/3.

2/ In addition to the appraisal workshop held in Nepal in 1991 described in chap. V of the Annual Report of UNIDO, 1991 (IDB.9/10), a similar workshop was held in China in February 1992.